

## EMEA

## European S-band auction process under way

The European Commission has finally begun the initial selection process for the S-band complementary ground component (CGC) auction. Interested companies have until October 7, 2008 to present their applications to the European Commission.

During the first phase of the selection process, the technical and commercial ability of the candidates to launch their systems in time will be assessed.

The criteria in the second selection phase includes, among other things: the speed at which all EU member states will be covered; the range of services, including in rural areas, and the number of end-users to be served and the capacity of the system to fulfil public policy objectives and spectrum efficiency. Depending on the number of candidates, the Commission expects the auction process to be completed in the first part of 2009 with the first satellite launches potentially taking place in the same year.

The process eventually got under way following the decision by the European Union, which came into effect in July 2008, that the licences would be awarded under a single European selection procedure instead of under 27 different national systems.

Licences, which will enable their holders to offer satellite-terrestrial mobile services, will be awarded for 2 x 30MHz of spectrum in the 2GHz radio frequency bands (1980-2010 MHz and 2170-2200 MHz) and potential bidders are understood to include Solaris Mobile (the joint venture between Eutelsat and SES), Inmarsat, Terrestar and Ondas. ICO Global may also participate, although still remains at loggerheads with the EU over a legacy claim to 2GHz spectrum.

Of those runners and riders, one SatelliteFinance source argued that favourites to secure the licences would be Solaris and Inmarsat.

The source suggested that the financial might of the two parties would give them the advantage as they would be more likely to fulfil the necessary launch and operation milestones as well as provide the necessary service coverage across the EU. Services must cover at least 60% of the EU's territory. Solaris already has a satellite under construction, a bus on Eutelsat W2A which is due for launch in early 2009, while Inmarsat finally made clear its ambitions with the announcement of EuropaSat.

Ondas is currently seeking funding for its pan-European satellite radio project, while Terrestar has seen significant management and ownership changes in the last few months, which has included separating its US ATC operations, Terrestar Networks, from its Terrestar Global unit.

## Inmarsat announces European S-Band plan

**Inmarsat** has finally revealed its European S-band intentions, contracting Thales Alenia Space to construct and International Launch Services to launch a new S-band satellite called EuropaSat.

While it had been known for sometime that Inmarsat was to set to be one of the bidders for the forthcoming European 2GHz spectrum auction, the satellite operator waited until the final confirmation from the European Commission and the subsequent inauguration of the initial selection process to announce its complementary ground component (CGC) plans.

Thales has stated that it will construct the new satellite in accordance with the required timeframe of the European S-Band Application Process (ESAP). The satellite design will be based on Thales' Spacebus 4000C3 platform and carry a payload at 2GHz generating 9 S-band user spot beams in 2 polarizations, to enable it to provide mobile broadcast and two-way telecommunications services throughout Europe.

The satellite will be launched by ILS in early 2011, again in compliance with the ESAP, and is to be located at 31E.

Andrew Sukawaty, Inmarsat's Chairman and CEO said: "We will be submitting a formal application to the European Union authorities and we are delighted to announce the appointment of Thales Alenia Space and International Launch Services to support our application. While we progress our S-band application, we will be pursuing the commercial partnerships necessary to ensure the returns from the required investment will generate acceptable returns on capital without undue risks or uncertainties."

## European Parliament legislation potential threat to satellite industry

European Union ministers for space met in late July at the Guiana Space Centre in Kourou, French Guiana, to discuss the industry's ambitions for the future.

In two days of meetings, the ministers discussed the possibility of boosting funding to space projects and placing it closer to the forefront of European development and to employ space technology as a major global research tool in the fight against climate change.

However, while the member states, encouraged by new French commitments to the space industry, look to further establish Europe as a major centre of space development, the European Union is considering the implementation of new legislation that fails to accommodate the specific requirements of major satellite operators in the commercial sphere.

The Commission is reviewing its Telecoms Package and reviewing the existing framework for electronic communications in a way that could potentially allow technologies such as WiMAX, WiFi or other telecommunications standards to infringe on valuable satellite spectrum.

This would reduce the ability of satellite operators to offer services at their current standards, which is reflected in

the concern expressed by the most prominent members of the European Satellite Operators Association (ESOA). SatelliteFinance asked ESOA Secretary General Aarti Holla-Maini to specify some of the specific issues operators have with the upcoming review.

Holla-Maini believes that one glaring issue underscores the problems satellite operators have with the EU. "Our main concern is the way the European Union applies the principle of technological neutrality," she said. "Its application is unpredictable and there is no provision for independent recourse if an industry sector feels the principle was incorrectly applied."

Spectrum is a highly valuable resource in Europe, and ESOA feels that satellite operators are fundamentally disadvantaged when competing for new allocations and protecting their own due to the EU's refusal to acknowledge that the satellite industry is fundamentally different from its competitors in a whole host of aspects, including that of regulation.

Holla-Maini said: "We feel that there is not a level playing field to start with, because only a limited amount of frequency bands are internationally harmonised for satellite at the International Telecommunications Union (ITU), while other technologies do not necessarily rely on worldwide harmonisation and have more bands at their disposal."

Within the context of the Telecoms Package review that the Commission is undertaking, the Commission proposes to delete references to the ITU that exist in the current legislation. A possible reason for this could be that the EU is looking for a seat at the ITU in the same way that the EU is represented at the WTO, but this would mean that the EU would speak for all member states on the subject of spectrum allocation, which for now is a matter of national sovereignty.

The ITU's membership is made up of individual states and companies, and satellite frequency co-ordination is arranged within this sphere. If the EU seeks to downplay the ITU's importance in maintaining coherence of spectrum allocation for the satellite industry, then satellite operators will be hamstrung when representing their cases in issues surrounding European spectrum.

This attitude is reflected in the manner in which the S-Band auction is being awarded under a single Europe-wide procedure.

This could become even more of a problem if another new proposal for a 5 yearly review of existing rights of use by current spectrum holders is included in the Telecoms review. ESOA argues that this is less than optimum for the satellite industry given their investment and business cycles. "Satellites require huge upfront investment and cannot be modified [to serve in a different frequency band] once launched. They are a part of strategic infrastructure rather than a competing sector of industry."

The satcoms industry is likely to push the central importance of satellites for communications and other key public sector areas across Europe in stressing the need for satellite spectrum to be protected in future.

## Gascom employs multiple facilities to fund satellites

The Russian satellite operator Gascom has recently announced that it has put out tenders for its next generation of satellites, the Yamal-400 series. SatelliteFinance got in touch with the company to find out more on how the new satellites complement its existing constellation, and to get an update on the status of the two Yamal-300 satellites currently under construction.

Gascom Communications Director Victoria Ioda told SatelliteFinance that the Yamal-400 satellites will be placed at the same orbital slots as their predecessors. Yamal-401 will join Yamal-201 and 301 at the 90E orbital slot while the 402 model will operate from 55E alongside Yamal-302, which is itself yet to be launched.

This will allow Gascom to build up strong positions at both slots and also reduce the problems of satellite redundancy. Gascom's Yamal-100 at 90E is soon to be decommissioned following ten years of service.

The Yamal-400 satellites will have between 20 to 24 72Mhz Ku band transponders. Yamal-401's footprint will focus almost exclusively on the Russian market while 402 will have one beam covering Russia, one covering Europe and the Middle East and one covering Africa.

The spread of sales will not deviate strongly from Gascom's existing focus on its home market, with 75% of capacity expected to be sold in Russia and the other 25% to international interests.

Financing for the Yamal-400 series will not begin until a contract for the manufacture and delivery of the satellites has been decided on, a process that should be complete by November or December this year.

The financing for this series will follow the same model that Gascom has developed for the Yamal-300 satellites, which have suffered a delay in their launch dates due to what was dubbed "non-optimal" arrangements on the project by its primary contractor RSC Energia. The launch of both satellites has slipped from early to late 2009.

The price for the entire Yamal-300 project is US\$220m. It has been financed through a number of different facilities, the first being a bridge credit facility taken out with ABN AMRO in December 2006 to pay advances to suppliers and sub-contractors. Gascom refinanced this facility in 2007 through a long-term credit of US\$75m that will expire in 2013 and entered into a further facility of €38m that expires in 2015, again with ABN AMRO.

These funds have been augmented by a facility taken out with Orgresbank, which is based out of Russia. The deal allows for US\$43.5m in credit and was attracted at LIBOR plus 3% for 43 months on the condition that it will be subsequently refinanced for a long-term credit facility of nine years. Gascom's owner, the energy giant Gazprom, is providing the security for all outstanding credit.